

AMENDED IN SENATE AUGUST 18, 2003

AMENDED IN SENATE JUNE 25, 2003

AMENDED IN ASSEMBLY MAY 12, 2003

AMENDED IN ASSEMBLY MAY 5, 2003

AMENDED IN ASSEMBLY APRIL 21, 2003

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

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**ASSEMBLY BILL**

**No. 878**

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**Introduced by Assembly Member Pavley**  
**(Coauthor: Assembly Member Berg)**  
(Coauthor: Senator Chesbro)

February 20, 2003

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An act to amend Sections 6055 and 6077.6 of, and to add Section 6084.2 to, the Harbors and Navigation Code, and to add Section 69.5 to the Humboldt Bay Harbor, Recreation, and Conservation District Act (Chapter 1283 of the Statutes of 1970), relating to harbor districts.

LEGISLATIVE COUNSEL'S DIGEST

AB 878, as amended, Pavley. Harbor districts.

(1) Existing law contains various provisions relating to the creation of a harbor commission for each harbor district and the election, terms, and powers of harbor commissioners.

This bill would make changes to commissioners' titles, and authority over certain land and funds.

(2) Existing law authorizes a harbor district to order by resolution that all or any of the funds under its control and not necessary for current

operating expenses be invested in obligations, bonds, or securities of the United States of America or of any agency or instrumentality thereof.

This bill would instead authorize those funds to be invested as specified.

(3) Existing law authorizes the board of a harbor district to borrow up to \$1,000,000 by issuance of a promissory note for the purposes of acquiring land for, and constructing or operating, a work, project, or facility authorized under specified law. Existing law also authorizes a board to execute a conditional sales contract to purchase personal property with a value up to \$1,000,000. Existing law prohibits the borrowing term from exceeding 5 years. This provision does not apply to money borrowed from an agency or department of the United States government or the State of California.

Existing law establishes the Humboldt Bay Harbor, Recreation, and Conservation District within Humboldt County. Existing law authorizes the district to incur a general obligation bonded indebtedness and a revenue bonded indebtedness for the acquisition, construction, completion, or repair of improvements, works, property, or facilities for the district, as specified.

This bill would authorize a district to borrow money and incur indebtedness through limited obligation notes for any purpose, after adoption, by <sup>4</sup>/<sub>5</sub> vote of the board, of a resolution. The bill would set the maximum interest rate and maturity dates on the notes and would require that the outstanding amount at any one time not exceed \$10,000,000. The bill also would authorize the Humboldt Bay Harbor, Recreation, and Conservation District to borrow money and incur indebtedness through this same type of limited obligation note.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 6055 of the Harbors and Navigation
- 2 Code is amended to read:
- 3 6055. The commissioners elected at the first election shall,
- 4 within 10 days from the date of the canvass of the returns of the
- 5 election, enter upon the duties of office. Before entering upon the
- 6 duties of his or her office, each commissioner shall take and
- 7 subscribe the official oath before the secretary or an officer
- 8 authorized by law to administer oaths and shall file it with the



1 county elections official of the county in which the district is  
2 situated.

3 They shall elect one of their number as president or chairperson  
4 and one of their number as secretary. The president or chairperson  
5 and secretary shall serve at the pleasure of the board.

6 SEC. 2. Section 6077.6 of the Harbors and Navigation Code  
7 is amended to read:

8 6077.6. A harbor district may by resolution order that all or  
9 any of the funds under its control and not necessary for current  
10 operating expenses be invested in accordance with Section 53601  
11 of the Government Code.

12 SEC. 3. Section 6084.2 is added to the Harbors and  
13 Navigation Code, to read:

14 6084.2. (a) A district may issue limited obligation notes after  
15 the adoption, by a four-fifths vote of all the commissioners of the  
16 board, of a resolution reciting each of the following:

17 (1) That the resolution is being adopted pursuant to this  
18 subdivision.

19 (2) The purposes of incurring the indebtedness.

20 (3) The estimated amount of the indebtedness.

21 (4) The maximum amount of notes to be issued, and the source  
22 of revenue or revenues to be used to secure the limited obligation  
23 notes.

24 (5) The maturity date of the limited obligation notes.

25 (6) The form of the limited obligation notes.

26 (7) The manner of execution of the limited obligation notes.

27 (b) The resolution may also provide for one or more of the  
28 following matters:

29 (1) Insurance for the limited obligation notes.

30 (2) Procedures in the event of default, terms upon which the  
31 limited obligation notes may be declared due before maturity, and  
32 the terms upon which that declaration may be waived.

33 (3) The rights, liabilities, powers, and duties arising upon the  
34 district's breach of an agreement with regard to the limited  
35 obligation notes.

36 (4) The terms upon which the holders of the limited obligation  
37 notes may enforce agreements authorized by this section.

38 (5) A procedure for amending or abrogating the terms of the  
39 resolution with the consent of the holders of a specified percentage  
40 of the limited obligation notes. If the resolution contains this

1 procedure, the resolution shall specifically state the effect of  
2 amendment upon the rights of the holders of all of the limited  
3 obligation notes.

4 (6) The manner in which the holders of the limited obligation  
5 notes may take action.

6 (7) Other actions necessary or desirable to secure the limited  
7 obligation notes or tending to make the notes more marketable.

8 (c) The limited obligation notes shall bear interest at a rate not  
9 exceeding the rate permitted under Article 7 (commencing with  
10 Section 53530) of Chapter 3 of Part 1 of Division 2 of Title 5 of  
11 the Government Code.

12 (d) The limited obligation notes may not mature later than 10  
13 years after the date of the issuance of the notes, and the total  
14 amount of the limited obligation notes outstanding at any one time  
15 for the district may not exceed the sum of ten million dollars  
16 (\$10,000,000).

17 (e) The agreement between the district and the purchasers of  
18 the limited obligation notes shall state that the notes are limited  
19 obligation notes payable solely from specified revenue of the  
20 district. The pledged revenue shall be sufficient to pay the  
21 following amounts annually, as they become due and payable:

22 (1) The interest and principal on the notes.

23 (2) Payments required for compliance with the resolution  
24 authorizing issuance of the notes or agreements with the  
25 purchasers of the notes.

26 (3) Payments to meet any other obligations of the district that  
27 are charges, liens, or encumbrances on the pledged revenue.

28 (f) The limited obligation notes are special obligations of the  
29 district, and shall be a charge against, and secured by a lien upon,  
30 and payable, as to the principal thereof and interest thereon, from  
31 the pledged revenue. If the revenue described in the authorizing  
32 resolution is insufficient for the payment of interest and principal  
33 on the notes, the district may make payments from any other funds  
34 or revenues that may be applied to their payment. The revenue and  
35 any interest earned on the revenue constitute a trust fund for the  
36 security and payment of the interest on and principal of the notes.

37 (g) So long as any limited obligation notes or interest thereon  
38 are unpaid following their maturity, the pledged revenue and  
39 interest thereon may not be used for any other *new* purpose.



1 (h) If the interest and principal on the limited obligation notes  
2 and all charges to protect them are paid when due, the district may  
3 expend the pledged revenue for other purposes.

4 (i) Limited obligation notes of the same issue shall be equally  
5 secured.

6 (j) The general fund of the district is not liable for the payment  
7 of the principal or the interest on the limited obligation notes.

8 (k) The holders of the limited obligation notes may not compel  
9 the exercise of the taxing power by the district, other than the  
10 revenue pledged, or the forfeiture of the district's property.

11 (l) Every agreement shall recite in substance that the principal  
12 of, and interest on, the limited obligation notes are payable solely  
13 from the revenue pledged to the payment of the principal and  
14 interest and that the district is not obligated to pay the principal or  
15 interest except from the pledged revenue.

16 SEC. 4. Section 69.5 is added to the Humboldt Bay Harbor,  
17 Recreation, and Conservation District Act (Chapter 1283 of the  
18 Statutes of 1970), to read:

19 69.5. Notwithstanding any other provision of this act, Section  
20 6084.2 of the Harbors and Navigation Code applies to this act.

